
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION AFFIRMS RULING ON ROUGH COST EQUALIZATION AMONG ENTERGY SYSTEM OPERATING COMPANIES

The Federal Energy Regulatory Commission today affirmed a June 1, 2005, order addressing the allocation of costs among Entergy Corp. operating companies in Arkansas, Louisiana, Mississippi and Texas.

“The positive reaction of various parties to our June 1 order on the distribution of costs among Entergy operating companies clearly indicated the Commission made the right calls. In carefully considering various requests for rehearing, we find no cause to upset that delicate balance,” said Commission Chairman Joseph T. Kelliher.

In response to a complaint from the Louisiana Public Service Commission, the Commission in June issued Opinion No. 480, which upheld an administrative law judge’s February 2004 finding that the allocation of production costs among the Entergy System operating companies is no longer just and reasonable. The Commission prospectively revised the Entergy System Agreement to allocate costs using a percentage-based “bandwidth” above or below average production costs to establish rough equalization for those costs.

The Commission rejected the Louisiana Commission’s remedy of full production cost equalization, and adopted a broader bandwidth than the one proposed by the administrative law judge who adjudicated the proceeding. The Commission determined that a plus or minus 11 percent bandwidth would return Entergy’s system to rough production cost equalization, mitigate cost shifts among the operating companies, and is consistent with Commission precedent.

The Commission also affirmed its decision to reverse the judge’s finding that the Vidalia hydroelectric plant in Louisiana is a system resource. The Commission stood by its finding in June that the Vidalia plant was built to benefit Louisiana, and its costs should not be allocated across Entergy’s system.

Today's order further affirmed that the bandwidth will apply beginning in calendar year 2006, with any equalization payments to be made in 2007. The Commission also stood by its finding that the Federal Power Act proscribes any retroactive application of the new approach to system equalization.

The four-state Entergy system has operated for more than 50 years under a System Agreement that, among other things, provides for allocation of operating costs among the five Entergy operating companies. The current System Agreement was filed in 1982.

Entergy Corp. is a public utility holding company providing electric retail service in Arkansas, Louisiana, Mississippi and Texas, through five operating companies – Entergy Arkansas Inc., Entergy Louisiana Inc., Entergy Mississippi Inc., Entergy Gulf States Inc. and Entergy New Orleans Inc.

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